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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 08/29/08

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- (1) New antiterrorism law must not be extended despite U.S. pressure

3) Japan willing to continue refueling: Koumura

NIKKEI (Page 2) (Full)

August 29, 2008

Foreign Minister Masahiko Koumura held a telephone conversation with Afghan Foreign Minister Sepanta yesterday afternoon, during which Koumura indicated that Japan strongly intends to continue the Maritime Self-Defense Force's current refueling activities in the Indian Ocean. "We will have to continue our efforts as far as we can for Afghanistan's peace and reconstruction," Koumura told Sepanta.

Kazuya Ito, a nongovernmental organization member, was recently abducted and killed in Afghanistan. In the wake of this incident, Koumura asked Sepanta to cooperate on the security of Japanese nationals working in Afghanistan to assist with its reconstruction. "Taking this opportunity," Koumura said, "we condemn such mean criminal acts as kidnapping and killing as well as all sorts of terrorism. He added, "We're determined anew to fight against terrorism."

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Sepanta told Koumura, "The biggest answer to the incident is to push for cooperation between our two countries and reduce the occurrence of terrorism." He added, "We want to continue our cooperation."

4) Ruling coalition to begin coordination next week on MSDF bill

NIKKEI (Page 2) (Full)
August 29, 2008

Taku Yamasaki, chairman of the ruling Liberal Democratic Party's Research Commission on Foreign Affairs, indicated yesterday that the LDP would enter into full-fledged coordination next week with its coalition partner, the New Komeito, over how to handle a bill extending the Maritime Self-Defense Force's current refueling activities in the Indian Ocean, a point of contention in the next extraordinary Diet session. The LDP and the New Komeito will hold a meeting of their project team to discuss the bill's contents.

Yamasaki, who is responsible on the LDP side for the ruling coalition's project team, stressed: "This is a very important bill. Depending on the outcome, the political situation will be greatly affected." From the New Komeito, Policy Research Council Natsuo Yamaguchi will attend.

The MSDF's refueling activities in the Indian Ocean have been conducted under the new Antiterrorism Special Measures Law, which is set to expire in January next year. In order for Japan to extend the MSDF's refueling mission there, the MSDF bill needs to clear the Diet in its extraordinary session to be convened Sept. 12. The government insists on the necessity of continuing the MSDF's refueling activities in order to back up the war on terror in Afghanistan. Prime Minister Yasuo Fukuda told Defense Minister Yoshimasa Hayashi to make an appeal on the importance of the MSDF's refueling activities.

The New Komeito remains reluctant to take a second vote in the House of Representatives to override the opposition-dominated House of Councillors' potential rejection of the bill since such an override could have a negative impact on the next election for the House of Representatives. The government once considered sending the Self-Defense Forces to Afghanistan but has now forgone this SDF dispatch option in view of the local security situation going from bad to worse. However, a Japanese volunteer from a nongovernmental organization was killed recently in Afghanistan. Due to this incident, the deteriorating security situation in Afghanistan is again drawing public attention. "The public may strongly oppose the refueling activities," a government source said.

The MSDF's refueling mission was once called off in November 2007 but resumed in February with a new law enacted. After that, the MSDF provided fuel amounting to approximately 6,925 kiloliters through the end of July.

5) Gov't gives up on SDF Afghan dispatch

TOKYO SHIMBUN (Page 2) (Full)

August 29, 2008

The government yesterday gave up on the possibility of sending the Self-Defense Forces to Afghanistan for the purpose of assisting that country with its reconstruction efforts. Kazuya Ito, a member of Peshawar-kai, a nongovernmental organization, was slain by an armed

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group in Afghanistan. In response to this incident, the government now considers the local security situation as going from bad to worse. Meanwhile, the Japan International Cooperation Agency (JICA) and NGOs are going to downscale their assistance activities in Afghanistan. The killing of the Japanese NGO aid worker is forcing the government to make a substantial review of Japan's humanitarian and reconstruction assistance to Afghanistan.

Chief Cabinet Secretary Nobutaka Machimura, meeting the press yesterday, said the government had not decided to take up the option of sending SDF troops to Afghanistan. Machimura also referred to the possibility of downscaling JICA activities in Afghanistan. Machimura stated, "We will discuss what to do from now on, while watching the local situation, and then the government will make a judgment."

Meanwhile, Machimura also declared that the government would present a bill to the Diet at its forthcoming extraordinary session, seeking to extend the new Antiterrorism Special Measures Law, which will expire in January next year, in order to continue the Maritime Self-Defense Force's refueling activities in the Indian Ocean. "If we drop out from the line of battle in the war on terror, it would run counter to the international community's efforts," he stressed.

In June this year, the government sent a fact-finding survey to Afghanistan for the purpose of looking into the feasibility of sending SDF troops there. The government was exploring the possibility of engaging heavy-lift helicopters and C-130 transport planes in airlift services. However, this SDF Afghan dispatch was deemed to be difficult from the first, because the New Komeito, the ruling Liberal Democratic Party's coalition partner, has been extremely reluctant to consider it.

6) Government determined to continue aid for Afghanistan in fighting terrorism, despite slaying of aid worker

SANKEI (Page 3) (Full)
August 29, 2008

Chief Cabinet Secretary Nobutaka Machimura told reporters in connection with the slaying of kidnapped aid worker Kazuya Ito in Afghanistan: "A precious sacrifice was made, but the incident might have the people feel strongly that Japan's continued proactive involvement in the war on terror is important." He indicated that it has become more necessary to continue the Maritime Self-Defense Force's refueling mission in the Indian Ocean.

Machimura also referred to a bill extending the New Antiterrorism Special Measures Law beyond its Jan. 15 expiration: "We will welcome amendments to the bill if they are constructive and acceptable for both ruling and opposition parties."

Prime Minister Yasuo Fukuda also emphasized in the Kantei's email magazine dated yesterday: "Conflicts are going on in various areas across the world right now, and many people are suffering from poverty. Japan should offer a helping hand to such areas and people. That is to respond to Mr. Ito's wishes and is the role Japan should play as a peace-cooperation nation."

Foreign Minister Masahiko Koumura held a teleconference with his Afghan counterpart yesterday. He said: "We are determined to continue to oppose all terrorist activities and fight terrorism." Asked about Afghan reconstruction assistance, Koumura said: "Japan

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must continue to make utmost efforts."

7) Taliban spokesman denounces NGO reconstruction projects, saying that the kidnapping was carried out to halt them

MAINICHI (Page 2) (Abridged slightly)
August 29, 2008

Shinichi Kurita, Kabul

In the wake of the discovery in eastern Afghanistan of the body of Kazuya Ito, 31, of the Japanese nongovernmental organization Peshawar-kai, a Taliban spokesman told the Mainichi Shimbun on Aug. 28: "The group of kidnappers abducted him at the order of the Taliban. They initially did not know that he was Japanese."

He also indicated that after Ito was identified as Japanese, the Taliban intended to make the Japanese government suspend its all assistance for the reconstruction of Afghanistan, adding that the Taliban did not order the group to kill him. The spokesperson is one of the Taliban's public relations officers. He has handled media inquiries about fighting with the U.S. military in the eastern part of the country and other events. On Aug. 26, he told the Mainichi Shimbun and other local news organizations that his group had killed a Japanese national.

As the reason why the Taliban ordered the kidnapping, he said: "We intended to force the dam construction project to be halted, and we demand foreign governments stop providing assistance to the Afghan government and the United States." The spokesperson also condemned the Peshawar-kai's reconstruction assistance projects, saying: "We know the organization. We endorse food assistance, such as rice, wheat and cooking oil, but not structures like roads, schools and dams that alter land features and culture."

8) Peshawar-kai considering recalling all Japanese aid workers

NIKKEI (Page 43) (Excerpts)
August 29, 2008

In the wake of the kidnapping and slaying of Kazuya Ito, the Fukuoka-based NGO Peshawar-kai, to which Ito belonged, announced in a press conference in the city yesterday afternoon that it will recall eight Japanese aid workers to Japan from Afghanistan. The group will consider recalling its five aid workers in Pakistan as well.

The group's secretary general, Mitsuji Fukumoto, 60, said in the press conference: "We cannot afford to lose another life." The workers in Afghanistan are expected to return home in two to three weeks. Although exactly when the five workers in Pakistan can leave the country is unclear, chances are high that they, too, will return home due to the deteriorating situation, according to Fukumoto.

Fukumoto also indicated that the group would not send its workers back to those countries unless the security situations are confirmed to have improved and that the group's activities will have to be carried out mainly by local residents. Tetsu Nakamura, a doctor who heads the projects in Afghanistan, will continue directing the projects. A formal decision will be made in a directors' meeting.

9) Coordination underway for Defense Minister Hayashi to visit U.S.

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in early September

NIKKEI (Page 2) (Full)
August 29, 2008

Defense Minister Yoshimasa Hayashi yesterday began coordination with the possibility of visiting the United States in early September to meet with his U.S. counterpart Robert Gates. Hayashi is expected to explain ahead of the opening of the extraordinary Diet session on Sept. 12 the Japanese government's policy of continuing the Maritime Self-Defense Force's refueling operation in the Indian Ocean and seek understanding from the U.S. side.

10) Ozawa to run in DPJ presidential race; New DPJ leadership to

decide whether to accept three lawmakers' resignations

MAINICHI (Page 1) (Full)
August 29, 2008

Three House of Councillors members belonging to the Democratic Party of Japan (DPJ) -- Hideo Watanabe, Yasuhiro Oe and Yumiko Himei -- yesterday afternoon submitted their resignations to DPJ Secretary General Yukio Hatoyama. Later in the day, the three lawmakers along with two other Upper House independent members, Hiroyuki Arai and Shinpei Matsushita, presented a notification of creating a new party, which they call the "Reform Club," to the Ministry of Internal Affairs and Communications. Last night at a hotel close to the Diet building, the five lawmakers exchanged views on a press conference they will hold today to formally announce the creation of the new party.

DPJ President Ichiro Ozawa and party executive members discussed yesterday how they should respond the matter. They decided to leave a decision on the matter to the new party leadership, which will be inaugurated on Sept. 21, when Ozawa is reelected as president, not accepting the resignations now.

Indicating that the party should not accept their resignations, Deputy President Naoto Kan told the press yesterday: "If they leave the party, they must resign as Diet members to fulfill their obligations for the public."

In his meeting with senior party members, Ozawa revealed his intention to run in the party leadership race, which will take place on Sept. 21. The official campaign for the Sept. 21 election will start on Sept. 8. Ozawa told them: "I want to announce my candidacy before Sept. 1, when the party holds an explanatory meeting for candidates." He then sought their cooperation to collect 20 recommendations by Diet members, the figures that are necessary for a candidate to run in a presidential race. Hatoyama told reporters: "We appreciate that those who wanted to run in the race will give their recommendations to him."

Ozawa and other party executives discussed the party's response to the upcoming extraordinary Diet session to be convened on Sept. 12. They confirmed that the party would not basically accept the ruling coalition's idea of holding each party's representative interpellations in both chambers of the Diet for Sept. 16-18.

11) DPJ renegades form new party, headed by Watanabe

YOMIURI (Top Play) (Excerpts)

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August 29, 2008

Three Democratic Party of Japan (DPJ) members - Hideo Watanabe, Yasuhiro Oe, and Yumiko Himei - submitted their resignation to Secretary General Hatoyama yesterday. Later, they notified the Ministry of Internal Affairs through the Tokyo Metropolitan Electoral Management Committee of their formation of a new party called "Reform Club." Their notice was accepted. Hiroyuki Arai and Shinpei Matsushita have also joined the new party, and Watanabe is expected to head the party. This new development will inevitably affect the DPJ's party management and approach to Diet business.

As the main reason for their departure from the main opposition party, the three cited President Ozawa's party management. They are expected to lean toward the government and the ruling camp. Oe told reporters yesterday afternoon: "I harbored doubt over the party's policy stance that since the DPJ is in the opposition, it naturally opposes things. Many in the DPJ still take such a view." He thus indicated the new party will call on DPJ members to join the party.

The party leadership, including Ozawa, Deputy President Kan, and Secretary General Hatoyama, met at party headquarters yesterday and decided not to accept their resignations for the time being, leaving the decision to the new management to be launched after an extraordinary party convention on Sept. 21.

12) Secession of three DPJ members to affect party's approach to Lower House election, Upper House management

TOKYO SHIMBUN (Page 2) (Excerpts)
August 29, 2008

Three House of Councillors members of the Democratic Party of Japan (DPJ) have bolted to form a new party, throwing cold water on the President Ozawa and other party leaders. Now that it is certain for Ozawa to win a third term without a formal vote in the September presidential election, party leaders are gearing up for the next House of Representatives election. Although there will be no change in the current state of the reversal of strengths between the Lower and Upper House, the secession of three members is likely to cast a pall over the DPJ's approach to the management of the opposition-controlled Upper House.

Deputy President Naoto Kan stressed in a press conference yesterday that Hideo Watanabe and Yasuhiro Oe, both of whom presented their resignation, were among those elected with a smaller number of votes in the proportional-representation constituencies. He criticized them: "Resignation as lawmakers should be the proper way for them to assume responsibility and fulfill their obligation as a politician."

In part because they had repeatedly taken rebellious acts in voting, many party members say that they had already anticipated their departure. Even so, there might be some effect on its approach to the management of the Diet in the Upper House.

The DPJ caucus in the Upper House now holds 120 seats by joining hands with the People's New Party. If the party accepts the three's resignation, the number will drop to 117. In order for the DPJ to secure 121 seats needed for a majority, cooperation from the Japanese Communist Party (JCP) or the Social Democratic Party is indispensable.

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In the earlier ordinary Diet session, there were scenes in which the DPJ fell out of step not only with the JCP but even with the People's New Party. Unless the DPJ keeps close cooperation with other opposition parties, it will become difficult to have government-presented bills rejected or its bills adopted.

Hiroyuki Arai, who has joined the new party, belongs to the LDP caucus. If the new party cooperates with the ruling camp, 12 more seats will be needed for the ruling side to secure a majority. If six more members secede from the DPJ, the ruling camp will be able to regain a majority.

As a senior Upper House member said, it is true that their secession gives a bad image for the DPJ, with an eye on the next Lower House election. Expressing his intention to run in the presidential race yesterday, Ozawa began to accelerate forming a policy manifesto for the Lower House election and preparing for announcement of party-endorsed candidates for the election. The secession drama at such a time might give the people the impression that the party lacks unity.

13) New party to cooperate with ruling camp at extra Diet session

SANKEI (Page 5) (Full)
August 29, 2008

A new party to be created by former postal minister Hideo Watanabe and four other lawmakers is expected to become in effect part of the ruling camp. The lawmakers plan to cooperate with the government and ruling parties during the extraordinary Diet session to be convened on Sept. 12.

One of the members indicated that the new party would take a concerted action with the government and ruling coalition regarding the issue of extending the New Antiterrorism Special Measures Law, one of the agenda items at the upcoming extra Diet session. The lawmaker said, "I would like to take an appropriate stand."

Another member also implied the cooperation with the government and ruling bloc, noting: "I think it would be good for the Democratic Party of Japan (DPJ) that a person like me, who has been a problem for it, should leave."

Watanabe has often criticized Ozawa's management of the party, saying to his aides: "He links everything to politics. He has neither a guiding philosophy nor a policy."

A DPJ official, however, made this comment: "The new party is made up of those who cannot read future politics." A conservative DPJ lawmaker reacted coolly, saying: "It is unbelievable that they will go over to the ruling camp, which is sinking ship, before the DPJ grabs the reins of power in the next House of Representatives election."

14) Government to set today 10 trillion yen economic stimulus package: Coordination still under way on inclusion of fixed rate tax cuts; Some highway tolls to be halved

NIKKEI (Top Play) (Excerpts)
August 29, 2008

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The government and the ruling parties on August 28 firmed up the outline of a comprehensive economic stimulus package designed to address the steep rise in crude oil and food prices. A decision on how to handle fixed-rate tax cuts for reducing a designated amount from the income tax will be postponed. A formal announcement on the package will be made after details are boiled down on the morning of the 29th. The size of the aid package excluding items under coordination will reach about 1 trillion yen. The amount of real spending, which necessitates fiscal disbursements, will likely exceed 1 trillion yen. The package will also list a measure to cut portions of expressway tolls by 50 PERCENT possibly in October.

Key points of economic stimulus package

Items that have already been adopted

- ? Lower expressway tolls
- ? Financial support for trucking, domestic shipping and construction industries
- ? Introduce new credit guarantee system for small- and medium-size businesses
- ? Improve measures for smoother management of the medical service system for the elderly.
- ? Extend and improve housing loan cuts
- ? Speed up the introduction of energy-conserving facilities and facilities using new energy
- ? Build authorized day nurseries and kindergartens urgently.
- ? Expand loans to low-income earners and single-mother families

Items under coordination

- ? Fixed-rate tax cuts for low-income earners
- ? Consumer price adjustment to be applied to pensions
- ? Revise the reduced pension payout system for working elderly people.

15) Government plans 1.7 trillion yen supplementary budget: No issuance of deficit-covering government bonds

SANKEI (Top Play) (Full)
August 29, 2008

The government on August 28 decided to compile a supplementary budget for fiscal 2008 totaling approximately 1.7 trillion yen and to submit it to the extraordinary Diet session to be convened on September 12. It has also decided not to issue deficit-covering government bonds to fund the budget. It intends to finance the second budget with unobligated reserve funds with variable interest rates in the fiscal loan fund's special account, which is used for redeeming government bonds. The decision is in line with the wishes of Prime Minister Yasuo Fukuda, who is opposed to the issuance of deficit bonds.

The prime minister on the 22nd indicated a negative stance to the issuance of deficit-covering government bonds to finance a supplementary budget, saying, "Future generations will have to repay that. I would like to avoid issuing such bonds, if possible." Former Liberal Democratic Party (LDP) Secretary General Hidenao Nakagawa on the 24th echoed this view, saying, "The size of a supplementary budget must be such that will not necessitate the issuance of deficit bonds."

However, LDP Election Committee Chairman Makoto Koga on the 23rd insisted that a large scale second budget should be compiled, even

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if it meant delaying the government goal of moving the primary balance into the black by fiscal 2011. He said, "The primary balance is important. However, we should be prepared to make a major decision regarding a fiscal issue." Concerning the size of the proposed second budget, he said, "We can use our resourcefulness, if the size is up to 2 to 3 trillion yen." The New Komeito also takes the position that reasonable fiscal resources must be secured for emergency measures to defend the daily life of the public against soaring prices, such as the price of crude oil, as President Akihiro Ota put it.

The government has eventually decided to finance the second budget with funds drawing from a so-called hidden slush fund in the special account - a reserve fund with variable interest rates. One government source said that funding a supplementary budget with such a fund would require an amendment to related laws.

For this reason, if all opposition parties in the Upper House oppose the idea of issuing a supplementary budget, it would be difficult for a supplementary budget bill to secure Upper House approval. In that case, the government might have to resort to a revote on the bill in the Lower House.

Some ruling party members are opposing the proposed size of the second budget with one official who once served as cabinet minister saying, "This would never satisfy the public." This is because they had been calling for a large scale with the issuance of deficit-covering government bonds in mind. The Fukuda cabinet will likely find it difficult to run the government.

ZUMWALT